

**Utah Technology Alliance
Capital Investment Task Force
Status Report**

Overview

As follow-up to the Venture Capital Committee Report submitted to Governor Leavitt for the Utah Silicon Valley Alliance in November, 2000; Todd Stevens of Wasatch Venture Fund was asked to chair a task force on Capital Investment to assure the availability of investment capital to emerging Utah businesses. Ensuing discussions with Governor Leavitt and Rod Linton suggested that the task force should also try to encompass the Domestic Investment agenda which was to encourage increased investment from local retirement funds and other domestic sources into Utah emerging companies. The effort of our task force was centered on the following two initiatives that would greatly increase capital in Utah.

1. Utah Fund of Funds: The task force explored the possibility of initiating a fund of funds that would invest in venture capital and private equity funds that invest in Utah companies. The investment capital for the fund of funds would be sought from Utah pension funds, endowments, banks and other institutions as investors. The critical component of launching such a fund of funds would be to find a "gatekeeper" with experience and a successful track record to raise the fund and manage the investment process. Once a gatekeeper is identified, the task force members are prepared to assist in building a case for investing in a Utah fund of funds identifying successful and emerging Utah companies that venture capital and private equity funds could invest in as portfolio companies. A kick-off meeting at the Governors Mansion has been suggested to invite potential investor in the fund of funds and allow Governor Leavitt an opportunity to discuss the importance of equity investment in Utah. A subcommittee of the task force has been established of all venture capital and private equity investors including representatives for the angel community. Several meeting have taken place with potential gatekeepers for the fund of funds. The response from gatekeepers has been disappointing due to difficult equity capital markets and the perceived small size that such a fund of funds would be.

2. Contingent Tax Credit: Following the model developed by Oklahoma, the task force has been investigating the approach of proposing to the legislature a bill authorizing the issuance of contingent tax credits to create a minimum floor return to potential institutional investors for a fund of funds. The fund of funds entity ("Utah Private Investment Fund") would be overseen by a Board of Trustees that would invest in venture capital and private equity funds with offices and an investment focus in Utah. The institutional investors would have a fixed investment return because the contingent tax credits would be used if the Utah Investment Fund doesn't have adequate returns from the funds invested in. The returns in excess of the fixed returns to institution investors would be given to the Permanent School Trust Fund thus giving the upside of the fund to the educational community. By gaining the support of the Governor, education and business communities this would have a strong voice to the legislature. Two subcommittees have been formed to follow-up on this objective. A legislation subcommittee headed up by Steve Grizzell of UTFC will work to draft legislation that would achieve the task force objectives but also avoid constitutional issues. A business advocacy subcommittee is headed up by Rich Nelson of UITA will rally business support to promote the concept to the legislature.

Recommendations

The Capital Investment Task Force recommends the following immediate steps:

- Seek a "Gatekeeper" to promote a Utah fund of funds for institutional investors.
- Plan meeting at Governor's Mansion to promote a Utah fund of funds with institutional investors.
- Test the feasibility of Contingent Tax Credit legislation with key Utah legislators.
- Explore the constitutionality of the Contingent Tax Credits with the Attorney General.

We look forward to meeting with you December 18th to discuss our plans. Attached is a list of task force participants.

**Utah Technology Alliance
Capital Investment Task Force
Participants**

<u>Name</u>	<u>Company</u>	<u>Name</u>	<u>Company</u>
Jeff Edwards	EDCU	Rod Linton	State of Utah
Jim Dreyfous	Utah Ventures	Mark Nelson	Cornerstone
Rich Hanks	BlueStep	Dick Clasen	Cirque
Mike Spuhler	Andersen	Brad Bertoch	Wayne Brown
Mark Renda	State of Utah	Steve Grizzell	UTFC
Rob Alston	Jones Waldo	Glen Watkins	Jones Waldo
Cyndee Privitt	Perfect Practice	Stu Peterson	RegisterSoft
Devin Thorpe	Thorpe Capital	Dave Winder	State of Utah
Paul Frogley	Westminster	David Bradford	Wasatch
John Wehmann	Consultant	Jon Christiansen	Parson Behle
Brian Moss	ULSA	Rick Medeiros	Live Tutor
Steve Dickert	Andersen	Rich Nelson	UITA
Richard Ehlert	Granite Capital	Robb Taylor	Granite
Chet Linton	Teach Stream	Tim Lurka	IN2M
Dawn Call	Snell & Wilmer	Dave Broadbent	Holland Hart
Dave Angerbauer	Holland & Hart	Dick Clayton	Holland Hart
JB Henriksen	Financial Consultant	David Politis	Politis PR
Brian Lloyd	Stoel Rives	Chris Roybal	EDCU
Amy Lewis	Perfect Practice	Paul Ahlstrom	vSpring
Daniel Warner	Perfect Practice	Giovanni Tata	BYU
Lora Lea Mock	Professional Recruiters	David Rudd	Ballard Spahr
Joe Ollivier	Olivier Financial		